

Healthcare and Limited Purpose FSA Carryover



FSA Carryover

- The State Employee Health Plan has adopted a provision that allows you to carry over up to \$500 of unused Healthcare or Limited Purpose FSA funds into a new FSA plan year.
- The Carryover will replace the current 75 day Grace Period beginning with the 2015 plan year.
- The carryover will not count against your annual election and your cumulative carryover balance from year to year cannot exceed \$500.
- The availability of carryover funds differs when carrying over to the same type of FSA (Healthcare to Healthcare) or rolling to a different type of FSA (Healthcare to Limited Purpose).

Healthcare FSA to Healthcare FSA

Things to Remember...

When carrying over funds from your 2015 Healthcare FSA to your 2016 Healthcare FSA

- Your carryover funds are available the first day of the 2016 plan year to reimburse claims incurred in both the 2015 and 2016 plan years.
- Claims with dates of service from the 2015 plan year can still be submitted for reimbursement during the run-out period, which is 120 days after the end of the plan year.
- Claims incurred during the 2016 plan year will first be paid from any 2016 plan year elections (if any) before being paid from any available Carryover funds.

Healthcare FSA to Healthcare FSA

2015 Healthcare FSA Plan Year

\$600 balance on December 31, 2015

\$500 moves to the 2016 Health FSA Carryover

\$100 remains in the 2015 FSA

Dec. 31 2015 2016 Carryover 2015 Plan Year



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\$100 at risk of forfeiture. You will have until April 30, 2016 to submit claims for 2015 date of service.

2016 Healthcare FSA Plan Year

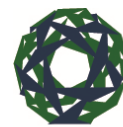
\$1,000 is elected in new FSA funds for the 2016 plan year



2016 Healthcare FSA Carryover

\$500 is available to reimburse:

- Claims with 2015 dates of service until April 30, 2016
- Claims with 2016 dates of service



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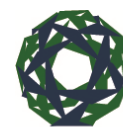
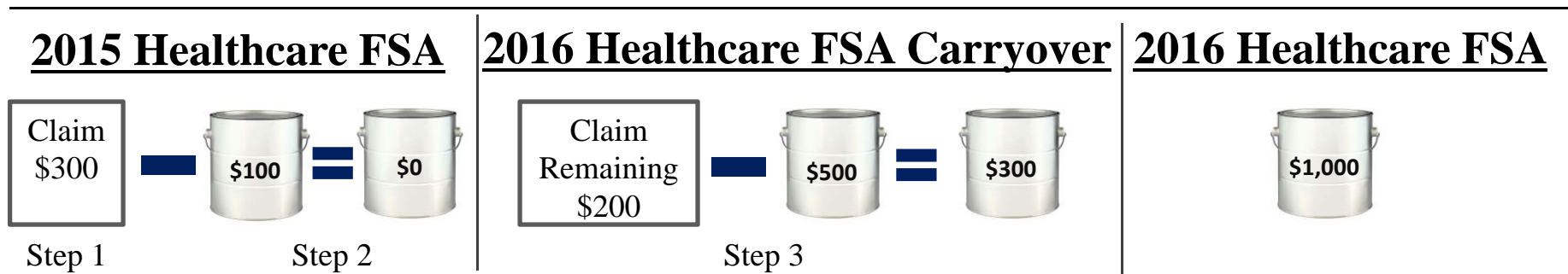
Healthcare FSA to Healthcare FSA

Scenario

Step 1: A \$300 claim is submitted on January 6, 2016, with a 2015 date of service.

Step 2: The \$100 remaining in the 2015 FSA bucket is depleted first, bringing the 2015 FSA account to a \$0 balance.

Step 3: The remaining \$200 is paid from the \$500 2016 Healthcare FSA Carryover. Below are the remaining balances in each FSA after the claim is paid:



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Healthcare FSA to Limited Purpose FSA

Things to Remember...

When carrying over funds from a Healthcare FSA to a Limited Purpose FSA

- Funds in the Healthcare FSA as of December 31, 2015, can reimburse expenses for 2015 plan year expenses until the end of the plan run-out period (April 30, 2016).
- Remaining 2015 Healthcare FSA funds will not carryover to the 2016 plan year until the end of the 2015 run-out period, April 30, 2016.
- Any dental or vision expenses incurred during the 2016 plan year can be reimbursed immediately from the 2016 Limited Purpose FSA or from the carryover when funds are available.

Healthcare FSA to Limited Purpose FSA

2015 Healthcare FSA

\$600 balance on December 31, 2015

Can be used for 2015 healthcare expenses through April 30, 2016



2016 Limited Purpose FSA

\$1,000 is elected in new limited purpose funds for the 2016 plan year

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2016 Limited Purpose FSA Carryover

Unused funds up to \$500 will carry over after April 30, 2016

Dec. 31 2015



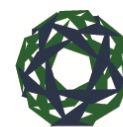
2015 Plan Year



2016 Carryover



\$100 in 2015 expenses is submitted during the run-out period



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Slide 7

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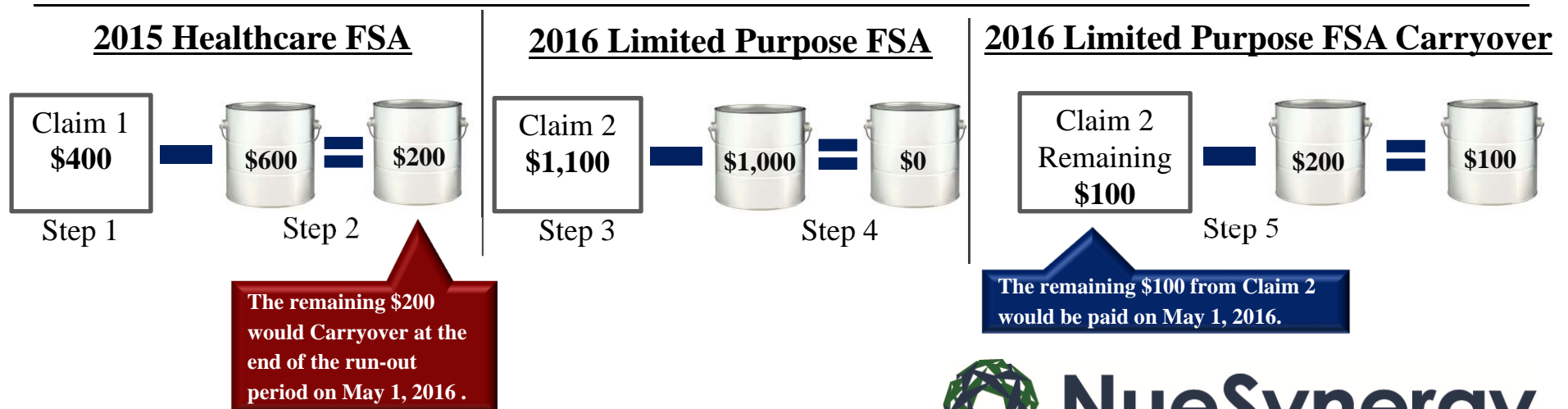
These say the same thing...

Alex Panagakos, 9/2/2014

Healthcare FSA to Limited Purpose FSA

Scenario 1

- Step 1:** Claim 1, a dental claim, that was incurred on December 1, 2015 is submitted on January 6, 2016 for \$400.
- Step 2:** \$400 would be paid immediately from the 2015 Healthcare FSA.
- Step 3:** Claim 2, a vision claim, for \$1,100 was incurred on February 1, 2016.
- Step 4:** \$1,000 would be paid immediately from the 2016 Limited Purpose FSA
- Step 5:** The remaining \$100 would be paid from the Limited Purpose Carryover as of May 1, 2016.



Carryover FAQs

Q: Does a member have to elect a new FSA in order for the balance from the prior plan year to carryover?

A: No. Any funds remaining in a member's 2015 FSA will be automatically rolled in the 2016 plan year even if the member did not elect to participate in the 2016 FSA. However, a member's unused funds will only carryover for one plan year without an active FSA election. If a member chooses not to enroll at that time, then any funds remaining at the end of the run-out period will be forfeited.

Q: How does carryover impact run out?

A: It does not. The run out period will still be in place for expenses incurred in the previous plan year to be reimbursed until April 30.

Q: Is the carryover option for healthcare only?

A: The carryover option is for Healthcare FSAs and Limited Purpose FSAs only. It is not available for Dependent Care FSAs.

Carryover FAQs

Q: Does the carryover amount count against the \$2,500 maximum contribution limit applicable to each plan year?

A: No. Members can still choose to contribute as much as \$2,500 even if they carryover \$500 from the previous plan year. Carryover funds are in addition to the \$2,500 cap on salary reduction elections.

Q: What happens if a member has a carryover balance but does not re-elect a Healthcare or Limited Purpose FSA?

A: Participants who do not re-enroll in either the Healthcare or Limited Purpose FSA in the new plan year will have their funds automatically carried over to a compliant FSA carryover account for the next plan year as long as their balance is over \$35*. Funds will only carryover one plan year without an active FSA election after which any remaining funds will be forfeited at the end of the run-out period.

* There is no minimum balance requirement if the member is actively participating with a current year election in either the Healthcare or Limited Purpose FSA



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Carryover FAQs

Q: Under what circumstances do carryover funds go to forfeiture?

A: If a member quits or is terminated and does not elect COBRA, any unused funds will be forfeited.

If a member has more than \$500 in carryover funds – any amount over \$500 will be forfeited.

Q: Is there a time frame every year for the members' carryover funds to be used?

A: No. The carryover funds can be used at any time for expenses incurred in the new plan year (in addition to the elected payroll deductions).

Q: How long can funds be carried over? Are multiple year carryovers permissible?

A: Funds may be carried over indefinitely; there is no time limit, though the max carryover can never exceed \$500. However, the carryover will be limited to one Plan Year unless the member is actively enrolled in a Healthcare or Limited Purpose FSA.



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